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Message Text

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ORIGIN COME-00

INFO OCT-01 EUR-12 EA-10 ISO-00 SOE-02 AID-05 CEA-01
CIAE-00 DODE-00 EB-08 DOE-15 H-01 INR-10 INT-05
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FM SECSTATE WASHDC
TO AMEMBASSY MOSCOW
AMEMBASSY TOKYO
AMEMBASSY PARIS

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E.O. 11652: N.A.

TAGS: EEWT, ENRG, UR, JA, US

SUBJECT: EL PASO COMMENTS ON YAKUTIA LNG PROJECT

REF: (A) MOSCOW 6421, (B) MOSCOW 6428, (C) MOSCOW 6940,
(D) MOSCOW 3356, (E) TOKYO 10267, (F) WASHINGTON 164664

SUMMARY: EL PASO LNG OFFICIALS IN VISIT WITH BEWT DAS
JULY 7 RELATED THAT: (1) IT IS THEIR OPINION SOVIETS ARE
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'VERY SERIOUS, ABOUT PURSUING YAKUTIA PROJECT, (2) SOVIETS
H;AVE STATED THAT PARTIES SHOULD CONCLUDE GENERAL AGREEMENT
ON DEVELOPMENT PHASE, (3) 1985 IS EARLIER THAN EL PASO
WOULD ENVISION STARTING FLOW OF GAS, AND (4) COMPANY
CONTINUES TO BELIEVE PROJECT IS WORTH PURSUING BUT
RECOGNIZES NOW IS NOT TIME TO INITIATE NEH STAGE IN PROJECT,
GIVEN CURRENT STATE OF US-USSR POLITICAL RELATIONS. BEWT

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WELCOMED EL PASO'S BRIEFING ON YAKUTIA PROJECT AND ASKED
THAT FIRM KEEP COMMERCE ABREAST OF FURTHER DEVELOPMENTS.
END SUMMARY. - -

, ON JULY 7 EL PASO LNG VICE PRESIDENT JAMES LISTER AND
WASHINGTON REPRESENTATIVE ROBERT HARBOR 0RIEFED DAS J.
MISHELL GEORGE (ACTING) AND OTHER BEWT OFFICIALS ON MAY
MEETING IN TOKYO OF SOVIET, JAPA'ESE, AND AMERICAN PARTIES
INVOLVED IN YAKUTIA LNG PROJECT. REMARKS BY LISTER WERE

ALONG LINES OF THOSE BY TOKYO GAS OFFICIAL REPORTED
REFTEL. A FEW OF LISTER'S SPECIFIC COMMENTS FOLLOW:

2. LISTER FEELS SOVIETS ARE ,VERY SERIOUS" ABOUT PURSUING
PROJECT AND COMMITTING THE MAJOR PORTION OF GAS TO
JAPANESE AND AMERICA' MARKETS. SOVIETS ARE SPENDING A
LOT OF TIME AND MONEY ON D ILLING PZOGRAM. AS MEASURE OF
SOVIET INVESTMENT REQUIRED FOR EXPLORATION, LISTER MEN-
TIONED THAT IN 1974 EL PASO ESTIMATED COSTS OF COMPLETING
YAKUTIA EXPLORATION PROGRAM, INCLUDING FOREIGN PROCUREMENT
AND SOVIET DOMESTIC EXPENDITURES, AS EQUIVALENT TO
ROUGHLY $400 MILLION.

3. WHEN AMERICAN AND JAPANESE SPECIALISTS VISIT YAKUTIA
IN SEPTEMBER THEY WILL ANALYZE DATA FROM MOST FULLY
EXPLORED FIELD AND ATTEMPT TO DETERMINE RATIO OF SOVIET
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STATEMENTS ON RESERVES TO EL PASO'S DEFINITION OF
RECOVERABLE RESERVES. FOR EXAMPLE, IF SOVIETS ARE
REPORTING 825 BILLION CUBIC METERS GAS "IN PLACE", THIS
COULD TRANSLATE INTO 5-600 BILLION CUBIC METERS RECOVERABLE
RESERVES.

4. SOVIETS PERSUADED JAPANESE TO ALLOW USE OF $2.6 MILLION
OF JAPANESE CREDITS FOR EXPLORATION PHASE FOR PURCHASE OF
CEMENTING EQUIPMENT FROM AMERICAN FIRM.

5. LISTER CONFIRMED THAT EL PASO DOES NOT CONSIDER 1985
A REALISTIC DATE FOR GAS TO START FLOWING. HE IMPLIED EL
PASO HAS A SUBSTANTIALLY LATER DATE IN MIND.

6. SOVIETS HAVE PROPOSED CONCLUDI'G A GENERAL AGREEMENT ON
DEVELOPMENT PHASE. LISTER SAID AMERICAN COMPANIES AND
JAPANESE WILL HOLD INTENSIVE NEGOTIATIONS BEFORE NEGOTIA-
TIONS PROCEED WITH SOVIETS, BUT HE DID NOT INDICATE
WHEN THEY MIGHT PROCEED.

7. GIVEN CURRENT STATE OF AMERICA'-SOVIET RELATIONS, EL
PASO RECOGNIZES THAT NOW IS NOT A PROPITIOUS TIME FOR

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INITIATING NEW STAGE OF PROJECT. HOWEVER, EL PASO CONTINUES TO BELIEVE THAT RELATIONS WILL IMPROVE AND THAT PROJECT IS WORTH PURSUING. -

8. COMMENT: EL PASO'S IMPRESSIONS OF TOKYO MEETING AND STATUS OF YAKUTIA PROJECT SEEM TO COINCIDE WITH THOSE OF TOKYO GAS REPORTED REFTEL. EL PASO APPARENTLY DESIRES TO KEEP PROJECT ALIVE BUT ON BACK BURNER. CHRISTOPHER

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Disposition Action: RELEASED
Disposition Approved on Date:
Disposition Case Number: n/a
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